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SIPDIS

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TAGS: [EAGR](#) [EAID](#) [ECON](#) [ETRD](#) [IZ](#) [KCOR](#) [PREF](#) [WFP](#)  
SUBJECT: TRADE MINISTER DEFENDS GOI EXCLUSION OF CARGILL ON

GRAIN, OFFERS WAY FORWARD

REF: A. 2009 BAGHDAD 2621  
[1](#)B. 2009 BAGHDAD 3055

Classified By: Assistant Chief of Mission for Assistance Transition Patricia Haslach for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: In a January 19 meeting with Assistant Chief of Mission for Assistance Transition (ACMAT) Haslach, Acting Trade Minister Safaa al-Deen al-Safi defended the GOI's case against U.S. food marketer Cargill, which has asked Post to intervene in a trade dispute over contractual obligations related to missing grain shipments. As a result of the dispute, the GOI has placed Cargill on its no-trade list. Al-Safi offered some recommendations for resolving the dispute, including discounted grain prices for future Cargill sales or remuneration from Cargill based on a negotiated price. End Summary.

#### Established Details of the Dispute

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[1](#)2. (C) In the January 19 meeting with ACMAT, al-Safi said he had prepared civil and criminal cases against Cargill and others for violating terms of a 2005-2006 wheat supply contract. At issue, according to al-Safi, is a dispute over remuneration to the GOI for Cargill's failure to deliver wheat valued at \$17-\$20 million. Under terms of its contract with the GOI, Cargill was responsible for providing inland transportation, which it subcontracted to a Syrian shipping company. Only 80,000 tons of the 180,000 tons were delivered to Iraqi flour mills, according to al-Safi.

#### Grain Board's "No-Trade" List

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[1](#)3. (C) Cargill asserts that the GOI or agents thereof were complicit in the theft. Cargill says that it has provided proof, including border-crossing documentation and truck and silo receipts, that all the grain in the dispute was shipped to Iraq. Though nearly 100,000 tons of wheat went missing, Cargill received full payment under the terms of the letter of credit that accompanied the contract. Since the dispute, the Trade Ministry's Grain Board of Iraq (GBI) has excluded Cargill from tendering bids on GBI's wheat and rice contracts. These contracts feed the GOI's \$7 billion Public Distribution System (PDS) (reftels), a significant market even for a company as large as Cargill.

#### Future Dialogue Important

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[1](#)4. (C) Al-Safi told ACMAT Haslach that he had delayed pursuing legal action against Cargill based on discussions with the company. He said, however, that Cargill had not

followed up on commitments made during the October U.S.-Iraq Business and Investment Conference, the last discussions the two parties held. As a result, time for court action was rapidly approaching, al-Safi said. The matter had become more urgent, according to al-Safi, because an (undisclosed) statute of limitations under Iraqi law was nearing, and noted he was considering imposing a two-week deadline on Cargill. Haslach talked al-Safi back from this implicit threat, and gained assurances that he would not seek legal action at least until additional discussions with Cargill had exhausted all other options.

#### Alternatives on the Table

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15. (C) Al-Safi said he hoped to avoid court action, and that he had offered Cargill alternatives, including 1) remuneration to the GOI based on a to-be-negotiated market valuation of the missing wheat, or 2) Cargill discounting future grain sales. (Note: This option, according to al-Safi, could be complicated by the GBI's competitive bidding structure. End Note) Embassy AgAttache has relayed this information to Cargill's Washington office.

#### Comment: Resolution Seems Possible

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15. (C) Comment: Al-Safi's posturing with us probably plays into the GOI's negotiations with Cargill. He likely has no interest in uncovering Iraqi complicity for the theft of the wheat shipments. Instead, his focus is on a cash settlement.

In separate discussions, the Director General of the GBI, Hassan Ibrahim, has suggested that Cargill send a representative to Baghdad to negotiate the settlement.  
GRAIN, OFFERS WAY FORWARD

Hassan favors resolution with Cargill as well as Cargill's removal from the GOI's "no-trade" list as a way to introduce additional pressures on the competitive bidding for the GBI's contracts. End Comment.

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